TO: State Directors
         Rural Development

ATTENTION: Multi-Family Housing Program Directors,
         AMAS Coordinators and Information Resource Managers

FROM: Arthur A Garcia
         Administrator
         Rural Housing Service

SUBJECT: Major Upgrade to the Electronic Transmission Process for the
         Industry Interface Voluntary Field Test

<u>PURPOSE/INTENDED OUTCOME:</u>

This is to advise you of a major upgrade to the electronic transmission process of the Industry Interface (II) Voluntary Field Test (VFT) being implemented by the Multi-Family Housing (MFH) program of the Rural Housing Service (RHS). MFH borrowers may now send program information to the Agency via the Internet using the Management Agent Interactive Network Connection (MINC).

Borrowers may choose to transmit using either a direct connection, private vendor software or through the services of a computer "service bureau." In addition, more program information may be transmitted, as the II will now accept transmissions of tenant applicant information and the required borrower financial reports that use Form RD 1930-7, "MFH Project Budget and Form RD 1930-8, "MFH Borrower Balance Sheet." The goal of these upgrades is to increase borrower operating efficiencies and improve the Agency's ability to manage the MFH portfolio.

<u>COMPARISON WITH PREVIOUS AN:</u>

No previous AN has been issued on this subject.

EXPIRATION DATE: December 31, 2003   FILING INSTRUCTIONS:
                                                  Preceding RD
                                                  Instruction 1930-C

<u>IMPLEMENTATION RESPONSIBILITIES</u>:

The II VFT has been active since September 1995. Current participation now exceeds over two thirds of all MFH borrowers. Attachment A discusses some of the benefits of borrower II VFT participation. As the name implies, participation continues to be voluntary at this time. The following are important implementation issues:

1. To participate in the II VFT, a borrower or management agent must have a valid Trading Partner Agreement (TPA) for projects to be transmitted.

2. Borrowers should contact their local MFH Servicing Office to obtain a TPA. Current TPA holders are not required to change or update their existing TPA to participate in the II Upgrade.

3. To participate in the II VFT and Upgrade, a project must have a valid TPA and the management agent (or owner manager) who will transmit information must obtain a MINC Management Agent Access Code and Password from the Agency.

4. The MINC system is the electronic gateway to the II Upgrade. Documentation on how the MINC System works is available on-line on the MINC Home Page at https://udaminc.sc.egov.usda.gov.

5. Borrowers (or their authorized representative) should contact the local MFH Servicing Office to obtain a MINC Management Agent Access Code and Password. When this contact is made, the Servicing Office will use Attachment B to submit the request to the MFH Automation Staff.

6. The TPA requires borrowers to follow the VFT directions in the document titled "Helpful Hints for Tenant Data Transmission." Borrowers transmitting under the old system should continue to follow those directions. Management Agents using MINC transmissions should follow the directions provided on-line on the MINC Home Page.

7. The II upgrade has been designed to be compatible with new versions of Forms RD 1944-8, "Tenant Certification," 1930-7 and 1930-8. These forms will be issued shortly via procedure notice.

8. Software vendors and service bureaus that currently provide or intend to provide Industry Interface related software or services have been advised of the data changes required for the II Upgrade. We expect that all vendors should be compatible with the II Upgrade within 6 months of the issuance of this AN.

9. Attachment C is the current list of software and service bureau vendors. Anyone interested in being placed on the list or obtaining copies of the specifications should contact the name provided on the list.

10. To facilitate a smooth transmission to the II upgrade, the Agency will be able to accept transmissions of tenant data using the old process for at least the effective period of this AN.

11. The cost of participating in the II VFT and upgrading software to participate in the II Upgrade may be approved as eligible project expenses. See Attachment D for a discussion of several important issues. A key point is that borrowers must receive prior Agency approval before committing project funds for software, hardware or service expenses related to the II.

RHS is committed to successfully implementing the Industry Interface. We will need your help to accomplish this objective. If you have questions, please contact Larry Anderson of the Multi-Family Housing Portfolio Management Division at 202-720-1612 or lranders@rdmail.rural.usda.gov.

Attachments

THE BENEFITS OF THE INDUSTRY INTERFACE

The Industry Interface offers MFH borrowers a tremendous opportunity to reduce the long term cost of project operations. Improvements to borrower automation should also facilitate better program compliance and increased management efficiencies. We found during a field review of the Industry Interface pilot that potential benefits can be achieved through the following:

- Reduced mailing costs and burden. For borrowers, this includes duplicating, sorting, filing, mailing to a central office, mailing to RHS, overnight mailing, faxing and in some cases hand delivery of tenant information. For RHS, it includes eliminating date stamping, sorting, filing, cursory reviews and signing. These costs double when borrower documentation is returned for corrections.

- Allows more time to meet deadlines. Filing all changes by the tenth extends most submission deadlines by 10 days. For borrowers this provides more time to assure that their information is assembled properly, complete and accurate. Our staff indicated that errors occur most frequently when borrowers rush to submit tenant information. For RHS, more accurate information results in fewer mistakes to correct with the borrower.

- Immediate feedback on problems. RHS entry and review of tenant data may be weeks after it was originally submitted. Industry Interface allows for next day response. Corrections can be made while borrower memories are still fresh.

- Reduce the possibility of being charged overage for late certifications. This penalty can be significant when assessed to borrowers, management agents and site managers. Extended submission deadlines and faster turn around on submission reviews reduce the possibility of overage being charged for late data.

- Increased accuracy of submissions. Private vender automation products help the borrower improve their own accuracy and reduce errors to be found and corrected by RHS.

Linking Industry Interface software with "borrower management" software will increase the efficiency of borrower operations. Gains in borrower efficiency should be able to translate into lower property operating costs.

SUBJECT: FAX Request for a Management Agent Interactive
             Network Connection (MINC) Password and ID

    TO: Rob Buckner
            (FAX NUMBER 314-335-8333)
            (PHONE NUMBER 413-335-8136)
            (E-MAIL rb488@stl.rural.usda.gov)

  FROM: RD Servicing Office (as described below)

                          Contact Name:
        Servicing Office Location:
                                 State:
                           Fax Number:
                       Phone Number:
                     E-Mail Address:

1. Please provide a MINC Password and Login ID to the following management agent:

Management Agent Name:

2. This management agent is currently entered in MFIS3 under the following ID:

Management Agent ID:

3. The projects that the subject management agent will transmit data through MINC have either a valid Trading Partner Agreement (TPA) or a request for a TPA are attached.

4. I have verified the accuracy of the Management Agent Address on MFIS3. Please send the MINC Password and Login ID to the following address:

Management Agent Address:

LISTING OF PRIVATE SOFTWARE DEVELOPERS AND VENDERS WHO HAVE INDICATED AN INTEREST IN THE RHS INDUSTRY INTERFACE VOLUNTARY FIELD TEST
(Updated as of August 30, 2001)

The following individuals and companies have expressed an interest in developing or marketing software to provide an industry interface with Rural Housing Service (RHS) tenant files, or providing automated support through a service bureau to transmit tenant certifications to RHS. RHS expresses no preference or opinion on the products or services of any of the individuals and companies listed below.

Lee Stout
Castle Lake Software, Inc.
HC 61, BOX 77
New Martinsville, WV 26155
1-800-342-3642
1-304-386-4437 FAX

Maurice King
High Tech Solutions
#205
1509 6th Street
Marysville, WA 98270
360-653-1570
360-653-1722 FAX
maurice@hightechsolutions.com

Roxie Munn
Real Page Inc.
117 Kingsland Way
Piedmont, SC 29673
864-845-8022
864-236-0831 FAX
roxie.munn@realpage.com

Duane D. Tinsley, President
Simply Computer Software, Inc.
5301 East State Street , Suite 309A
Rockford, IL 61108
800-626-2431 Ext.#3
815-231-0065 FAX
DuSCS@aol.com
Web site: SimplyComputer.net

Gustavo Sapiurka
CAM Systems Inc.
1012 N Street, NW
Washington, DC 20001
800-226-9999
202-667-3002
202-667-3035 FAX
Sapiurka@thecommunitiesgroup.com

Paul Angelich
President, CAMS of Atlanta, Inc.
3340 Peachtree Road, NE
Suite 1800
Atlanta, GA 30326
800-544-7569
404-814-5299 FAX
Camsatl@Sprynet.com

Mitch Copman
Classic Real Estate Systems, L.L.C.
400 Pinnacle Way, Suite 420
Norcross, GA 30071-3661
770-729-0007
770-729-0065 FAX
mitchc@classicresystems.com
classic@classicresystems.com
mpenrow@classicresystems.com
www.classicresystems.com

Steve Lang
PSL Consultants
P.O. BOX 241516
Memphis, TN 38124-1516
901-681-9831
901-763-2588 FAX
slang@pslmgmt.com
patlang@pslmgmt.com
http://www.pslmgmt.com

Fred Hutchins (Service Bureau)
EPS, Inc.
18 Blair Park, Suite 208
Williston, VT 05495
802-872-0818
802-872-0820 FAX
FHUTCH056@AOL.COM

Sam Ausmus III
Ausmus and Associates, Inc.
3335 Federal Road
Pasadena, TX 77504-1737
800-944-5572, ext. 201
713-944-2554 FAX
sausmus_iii@ipm-software.net@i

Bennet and Ron Barlean
BP Software
708 Nooksack Ave.
Nooksack, WA 98276
360-966-5705
800-344-7611
360-966-3125 FAX
bpsoftware@alphahunt.com
www.bpsoftware.com

John Veach
Shreve Group
1622 Taylor Ave.
Washington, DC
202-882-6306
301-562-3006
ShreveGroup@msn.com
veachiii@aol.com

Clancy Knaup
1333 Wayland Street
PO Box 901
Beaver Dam, WI 53916
cbknaup@internetwis.com

Colleen Caldwell
Lindsey & Company Inc.
302 West Center
Searcy, AR 72143
501-268-5324
501-268-1198 FAX
ccaldwel@lindseysoftware.com
Web site: www.lindseysoftware.com

Valerie Gatson
Millennium Software
1503 Goodwin Road
Ruston, LA 71270
318-251-2392
318-255-7397 FAX
support@millennium-software.com

Chip Denton
ATL Technologies
2786 Bluebird Cr.
Duluth, GA 30096
770-232-5047
770-232-5047 FAX
cdenton@abraxis.com
Web site: http://www.fpn.abraxis.com/cdenton/atl

HUD Billing
Joe Reeves
33616 25th Ave. Court South
Roy, Washington 98580
800-925-2276
253-843-0289
angelacres@foxinternet.net

Jed Graef
IPM-Software
PO Box 880
Shelburne, VT 05482
802-985-2029
802-985-2668 FAX
jgraef@worldnet.att.net

Oleva Riney
(Service Bureau)
RDC Data Processing Center
PO Box 248
326 E. Jefferson
Memphis, MO 63555
660-465-7281 (voice)
660-465-7163 (fax)
660-465-2442 (TDD)

Bozman Associates
1719 Taylor Street NW
Washington, DC 20011

IPM Software, Inc.
4008-C Vista Road, Suite 250
Pasadena, TX 77504
RHS Control
800-944-5572 ext. 212
info@ipm-software.net
www.ipm-software.net

Tenmast Software
James Mauch, President
132 Venture Court, Suite 1
Lexington, KY 40511
859-455-8061
859-367-7480
Contact:
Markl@tenmast.com

Janet Wittenberg
Bostonpost Technology, Inc.
P.O. Box 4190
Manchester, NH 03108

603-669-8553 x231
janet@bostonpost.com

Sentry West LLC
(Service Bureau)
PO Box 2070
Cheyenne, WY 82003
Contact: Dean Greenwalt
307-643-9595
800-863-7431
drgcheywy@msn.com

Real Page Inc.
600 Blair Park Rd., Suite 270
Williston, VT 05495-7529
Contacts:
Brent.Carpenter@RealPage.com
802-879-2700 ex.2319
Dan.Dulleba@RealPage.com
802-879-2700 ex.2360

**For questions regarding
this list, please contact:**
Lorraine Scharff, RHS-MHPMD
Room 1229-S, Mail Stop 0782
14th and Independence Ave.
Washington, DC 20250
202-720-1612
202-720-0302 FAX
lscharff@rdmail.rural.usda.gov

Acquiring Automation Support for the Voluntary Field Test (VFT)

The goal of the Industry Interface (II) is to reduce the long term burden and cost of reporting MFH tenant information. RHS will approve the use of project funds to acquire automated support to participate in the VFT.

Guidelines for obtaining automated support for the II VFT are as follows:

- With prior RHS approval, borrowers may use project operating or reserve funds to purchase or lease hardware or software needed to participate in the VFT.

- Once borrowers have acquired automation capabilities, they may allow their management agent to use them to participate in the VFT. This cost may be prorated over several projects owned by different borrower entities with a common management agent.

- When the cost of acquiring management software or hardware is not cost effective for a project, or projects with common management, RHS may allow as a project operating expense the cost of contracting with a service bureau to provide automation support to participate in the VFT.

- To request RHS approval, borrowers must submit a brief proposal that documents the anticipated costs and benefits of adopting the automation strategy being proposed.

Further discussion of issues:

1. Deciding to Acquire Additional Automation Capabilities.

It is important to note that the approval for the use of project funds discussed above extends only to the portion of computer software and hardware needed to participate in the VFT. If the borrower desires additional software or hardware capacity, the following guidance applies:

MFH borrowers are encouraged to use automated systems to manage MFH projects and to prepare and process paperwork associated with project management. Where economically feasible, computer applications can improve management efficiency and reduce errors and omissions. However, the purchase of computer hardware and software out of project funds should be carefully analyzed.

If a borrower entity's purchase of computer hardware or software to be used solely at a project can be expected to show a reduction in project Operations and Maintenance (O&M) expenses, the purchase cost may be approved by RHS as a line item project expense. The expense may be approved at project inception out of the project's 2 percent initial operating account or, subsequent to project start-up, out of annual operating revenues. The cost may be prorated over several projects owned by the same borrower entity. Any computer hardware or software purchased with project funds must remain with the project if there is any subsequent change in management or ownership of the project.

The purchase or use of computer hardware or software by a management company, versus a borrower entity with or without an identity of interest with a borrower, may not be considered an allowable line item expense on an RHS approved project budget."

RHS recognizes that each project has specific automation needs and each may be at different stages of automation. Some currently have fully integrated management systems while others have not computerized. Each borrower must examine their project's situation and determine the best solution.

When borrowers request RHS approval to use project funds to purchase automation capacity, they must document their request by reviewing their current automation capacity and explaining the costs and benefits of their decision. RHS will approve the cost of participating in the II VFT and additional automation when it makes financial sense.

2. Choosing to Use a Service Bureau.

If acquiring automation is not a sound decision, borrowers may consider using a service bureau to provide automation services at a fee. The fee can be a project expense and should be reasonable. RHS must approve a borrower's determination that it is in the best interest of the project to contract with a service bureau.

A service bureau is a firm that provides computer support to transmit tenant information. Currently, service bureaus support a similar tenant information automation initiative with the Department of Housing and Urban Development (HUD). Several management companies and borrowers have indicated that they are interested in performing the functions of a service bureau.

The cost of a service bureau is essentially an "add on expense" to an operating budget, since the function is not currently performed by any project. Borrowers who find that their project budget will not support the cost of acquiring automation support or a service bureau fee, should contact their servicing office. As stated earlier, borrower participation with the VFT is not mandatory at this time.

RHS will not allow an add on fee for the cost of a service bureau if your analysis demonstrates that it is less expensive to acquire an automation capacity, unless extenuating circumstances exist.

RHS will not approve the use of an add on service bureau fee as a project expense for a contract with a firm which has an Identity of Interest (IOI) with the project borrower or management agent, without detailed documentation indicating that the IOI service bureau is clearly more cost effective than a non-IOI service bureau. While this policy does not restrict the formation of IOI firms to process tenant certifications, service bureau companies or the payment for their services from a management fee, it is intended to address concerns expressed by the USDA Office of Inspector General (OIG) that IOI firms may unnecessarily inflate project operating expenses.

3. The Project Budget Impact of Participating in the Industry Interface.

The budget impact of the ongoing expense of transmitting tenant information to the Agency through the II will vary project-by-project depending on the costs associated with the transmission and how the current budget currently carries the costs of processing (preparing, copying, and mailing) a tenant certification (TC). The management plan and agreement should establish how the current costs are to be carried by the project budget.

It is acceptable for a project to be assessed a prorated per unit cost for transmitting information to the Agency, when the transmission is performed from a central borrower or management agent location. The Agency has seen the typical prorated transmission expense range from $1 to $2 per unit, per month.